



Centre for
Local Government

Submission to the Inquiry into Local Government Funding and Fiscal Sustainability

Prepared by

University of Technology Sydney

Centre for Local Government

Institute for Public Policy and Governance

3 February 2026

Acknowledgments

UTS acknowledges the Gadigal people of the Eora Nation, the Boorooberongal people of the Dharug Nation, the Bidiagal people and the Gamaygal people, upon whose ancestral lands our university stands. We would also like to pay respect to Elders, both past and present, acknowledging them as the traditional custodians of knowledge for these lands.

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UTS CRICOS Provider Code: 00099F

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1 Introduction

This submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport has been prepared by the University of Technology Sydney's (UTS) Centre for Local Government.

1.1 About the UTS Centre for Local Government

The Centre for Local Government Education and Research was established in late 1991 as a cross-faculty centre of excellence. The Centre's name was changed to the Centre for Local Government (CLG) in 1999, reflecting a view that education and research are inherently functions of a university-based centre.

Since 1991, the Centre has been at the forefront of consulting, research, and professional development in the realm of local government. We are committed to empowering communities and local government leaders through innovative solutions and meaningful dialogue. In 2009, the Hon. Anthony Albanese, then Minister for Infrastructure, Transport, Regional Development and Local Government, opened the Australian Centre of Excellence for Local Government (ACELG). ACELG was hosted by CLG as part of a consortium that included:

- Commonwealth Government
- University of Canberra, the Australia and New Zealand School of Government
- Local Government Managers Australia
- Institute of Public Works Engineering Australia
- Program partners:
 - Charles Darwin University
 - Edith Cowan University.

As the largest centre of its kind in Australia, we are dedicated to advancing the field of local government. We foster a collaborative approach and have built strong relationships with a wide array of local government associations, professional institutes, and academic bodies, both in Australia and internationally. Additionally, we work in close partnership with governmental organisations at the local, state, and federal level.

1.1.1 Our Services

For over 30 years CLG has been at the forefront of consulting, researching and supporting the professional development of local government leaders, staff and elected officials. Our cutting-edge suite of services addresses the unique challenges and opportunities facing local government.

Our services are designed for real-world impact in local government. We create value through partnerships with councils, businesses, and community organisations. Our research services embody a commitment to excellence, fostering new knowledge through collaboration and networking. We support local government and regional organisations in managing current challenges, including:

- Good governance and change management
- Strategic planning, integrated planning and reporting
- Community engagement and stakeholder management
- Financial sustainability and constraints
- Emergency and disaster management
- Adapting to climate change, renewable energy, and waste management
- Workforce management and capability building, addressing skills gaps.

1.1.2 Our International Relations

Over many years CLG has established partnerships with various international delegations including:

- CLAIR - Japanese Council for Local Authorities for International Relations
- GAROK - Governors Association of Korea

1.1.3 Current Status

Since 2021, the CLG has worked with over 30 Australian local governments and regional councils across Australia, as well as with multiple institutions and government bodies in Vietnam, Korea and Japan.

Our submission is therefore informed by applied research, policy analysis and sustained engagement with local governments across metropolitan, regional and rural Australia.

More information can be found [here](#).

2 Sustainability Issues and Challenges

CLG welcomes the scope of the Standing Committee's Terms of Reference to encompass consideration of financial, structural, workforce and role issues.

CLG's research and work within local government has shown that Australian local government is experiencing growing structural pressure arising from a long-term misalignment between its resourcing base and the expanding scope of services it is now expected to deliver. There is also a misalignment between legislation as determined by our eight states and territories, as well as between the over 500 unique Councils, whose size, core functions and governance arrangements currently vary across Australia.

While Australian local government shares these issues with many local government sectors internationally, the pre-Federation narrow role of councils, plus the diversity of the Australian legislative models, have added specific challenges at the local and regional levels.

These pressures are not episodic or cyclical; they reflect deep-seated changes in intergovernmental policy settings, and the explicit and implicit shift of responsibilities over decades from Commonwealth and State governments to councils without commensurate adjustments to funding arrangements, workforce capability, or asset investment.

While the impact of cost shifting through the direct or implicit transfer of functions without commensurate revenue support is often highlighted, other factors are placing equal pressure on councils' sustainability. These include increased operating costs due to:

- Rising community expectations regarding role breadth and service quality – e.g., with increasing demand for accessible and responsive services, plus local efforts in community resilience, social cohesion and inclusion
- The growing complexity of service delivery, not least because of increasing Commonwealth and State regulation and compliance costs particular in human services such as childcare and aged care services.
- Ongoing efforts by councils to try meet service gaps created by reductions in the real value of transfers by seeking grants and project funding from other tiers of government, industry or philanthropic organisations
- Asset management demands, e.g. upgraded facilities, digitally enabled infrastructure and climate-resilient assets
- Councils assuming disproportionate impacts and responsibility for nationally emerging priorities such as disaster recovery and the impacts of climate change.

While many councils have responded pragmatically and innovatively to the challenge of assuming new and modified functions, the cumulative effect has been a widening gap between community needs and council capacity. Disaster recovery, and the demand for modern community infrastructure such as public libraries, and replacement of decaying infrastructure such as public pools are all cogent examples, as expanded upon below.

In the case of **disaster recovery**, councils are now absorbing recovery, coordination and asset costs well beyond formal emergency response roles. While emergency response frameworks are typically led by state governments, local councils are increasingly central to preparedness, immediate response, and long-term recovery. This includes:

- Operating evacuation centres
- Coordinating community information
- Designing and managing community recovery services
- Restoring local infrastructure
- Managing waste and environmental remediation
- Supporting affected residents and businesses over extended periods.

Smaller and regional councils are particularly exposed, as a single disaster event can overwhelm both financial reserves and workforce capacity.

Similarly, evidence from CLG's work with councils has consistently highlighted that many legacy **public libraries** and community facilities have outgrown their utility. International and domestic literature highlights libraries are increasingly expected to the front-line access points for essential services, particularly in communities experiencing disadvantage, digital exclusion, or with limited access to other accessible facilities, including safe, public places particularly in times of need.

In many regional and outer-metropolitan areas, libraries are one of the few free, universally accessible public spaces remaining. Despite this expansion in function and public value, libraries remain predominantly funded and operated by local government, with limited

recurrent contributions from other levels of government, even where services directly support Commonwealth or state policy objectives in areas such as lifelong learning, workforce participation, digital inclusion, settlement services, and social cohesion.

Asset management demands are a major sustainability challenge for councils across Australia. For example, the growing legacy of ageing infrastructure, such as **public pools** – the majority constructed in the post-World War II era – today lack adequate investment not only for routine compliance and maintenance, but also for revitalisation and long-term renewal consistent with twenty-first century standards and community expectations.

Backlogs in asset maintenance and upgrades are now a defining feature of the sector's financial stress, particularly in regional, rural and outer-metropolitan councils with limited revenue bases. Importantly, these infrastructure pressures are increasingly intertwined with service evolution. These backlogs constrain councils' ability to respond to growth, climate adaptation and service innovation. For example, libraries now require digitally enabled, flexible facilities, while disaster recovery demands repeated repair, adaptation, and resilience upgrades to local assets.

These pressures are compounded by **workforce challenges**. Local government is increasingly expected to attract, recruit and retain staff with specialist skills suitable for contemporary management and service delivery. These include professionals in areas such as engineering, planning, digital services, innovative community services, climate adaptation, emergency management, and advanced governance, project management and leadership. That said, many councils lack the scale, remuneration flexibility and career pathways required to compete effectively in the labour market. These workforce constraints directly affect councils' ability to deliver both statutory and non-statutory functions and services to the standard expected by communities and other levels of government.

In short, accumulated asset backlogs, expanded service demands, compliance responsibilities and workforce professionalisation gaps are each affecting local government sustainability.

3 Options Arising

From a Commonwealth perspective, as multiple submissions to the Inquiry make clear, rates and intergovernmental grants remain poorly aligned with the contemporary local government responsibilities. Rate income is uneven and structurally constrained. As set out in the Australian Local Government Association's (ALGA) submission, for instance, the decrease in the value of Financial Assistance Grants (FAGs) is significant and cannot be meaningfully replaced by the trend towards grant programs that are tied, short-term, capital-focused and program-specific. This direction compromises both local government's financial sustainability and its decision-making autonomy.

Short-term actions such as addressing asset backlogs and disaster recovery funding gaps are necessary to secure ongoing baseline capacity. CLG therefore supports ALGA's assessment that funding stabilisation, particularly through increased, untied FAGs, is necessary to protect essential services, national productivity, resilience and community wellbeing.

However, international and Australian research cautions that funding increases alone are insufficient. Governance literature points to ambiguity in intergovernmental roles as a key contributor to sustainability challenges. Local government currently operates within a system where responsibilities are increasingly shared, but accountability and funding arrangements remain fragmented.

Moreover, Australia's local government system is characterised by significant variations in council size, revenue capacity, workforce depth and exposure to demographic and environmental pressures. These structural differences are increasingly reflected in inequities in the availability, quality and timeliness of local services between communities, including in regulatory services, asset maintenance, disaster preparedness and access to community infrastructure.

These disparities are not primarily a function of council performance or governance quality. Rather, they arise from a system that continues to assume all councils can operate as full-service, general-purpose providers, despite vastly different underlying assets, resourcing and capacities. Workforce shortages in critical professional roles, particularly in smaller and regional councils, further exacerbate these service differentials and limit the effectiveness of additional funding alone.

For these reasons, the Inquiry's consideration of financial sustainability should be complemented by a longer-term, cross-government focus on structural reform aimed at improving service equity and effectiveness. This does not require a return to the narrowly framed amalgamation options that championed, but rarely achieved, sustained financial benefits, at the same time as fuelling community discontent.

Instead, it points to the need for Government to adopt a modern service system and outcomes-driven approach that:

- Reconfigures how functions are allocated, scaled and delivered across the local government system
- Supports collaborative, regional or shared delivery models where these can strengthen capability and outcomes
- Promotes good practice and evidence-based decisions built on contemporary research, robust service reviews and organisational redesign plus appropriate models of community and stakeholder engagement
- Prioritises building the capacity and capabilities of local government personnel at all levels, including additional training for elected councillors, executives and management.

Further, Commonwealth, State and territory governments working with local and regional government bodies, should seek to overcome structural workforce challenges and enhance service quality irrespective of location. Many local councils and regional groups of councils are already trialling such innovations. These approaches should be supported.

However, despite local and ad hoc efforts, without renewed intergovernmental stewardship, with a clearer articulation of roles and responsibilities, councils will continue to absorb risk and responsibility by default, rather than through deliberate policy design.

4 Conclusion

Rather than the result of individual cases or isolated governance failures, local government sector's sustainability challenges are structural in nature and embedded within Australia's intergovernmental and fiscal arrangements.

A necessary condition for local government sustainability is stable and predictable income, including the provision and indexation of a more appropriate level of untied funding. However, as outlined above, funding reform in isolation is insufficient.

Firstly, future models of local government sustainability cannot be built on an inherited deficit position. National and state evidence consistently points to significant infrastructure renewal backlogs across the local government sector, reflecting long-term underinvestment relative to asset consumption. These backlogs constrain service quality, increase long-run costs, and reduce councils' capacity to respond to growth, climate adaptation and changing community expectations. Reform efforts that fail to address accumulated asset deficits risk entrenching fragility rather than restoring sustainability.

Secondly, over recent decades, councils have assumed a broader range of functions — including social infrastructure, community services, regulatory roles and disaster recovery — often without corresponding clarity about responsibilities, adequate funding or the required institutional capability. The absence of clearly articulated contemporary roles for local government has contributed to inter-governmental inefficiencies, blurred accountability and growing pressure on council balance sheets.

Thirdly, local government is highly, though differently, regulated and administered across Australia. Increasing evidence also highlights heavily compliance driven planning and reporting, in many instances without strategic or meaningful results. Further, the majority of planning is done at an LGA specific level, with constraints on the research evidence, lesson-learning from comparable councils in Australia and abroad.

CLG therefore submits that reform must proceed along three key paths:

- In the short term, action is required to stabilise council finances, address critical asset renewal gaps and provide income certainty.
- Ongoing action is also required for help build the capabilities and evidence base used by councils to inform their decision-making. This could be done through increasing the availability of local government-specific tools, resources and professional development opportunities similar to what was offered in the 1990s and 2000s through the Australian Centre for Excellence for Local Government.
- In the medium term, establish role definition, fit-for-purpose governance arrangements and funding models capable of supporting not only existing service obligations, but also future demand arising from population growth, ageing infrastructure and increased service complexity.

Without a three-stream approach, local government will remain structurally exposed, regardless of episodic funding increases.

CLG enthusiastically welcomes this important inquiry into sustainability and would be happy to be contacted and provide supporting evidence or options as needed.
